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STAFF MEMORANDUM NO. 70-56

SUBJECT: Trouble Spots in Burmese-Communist Chinese Relations*

1. In recent weeks Burmese leaders have expressed concern publicly over Burma's relations with the Bloc in general and with Communist China in particular. They have raised the perennial Burma-China border conflict and have expressed concern over Chinese Communist political and military activity in the disputed border area. They have evidenced extreme irritation at the Chinese Communist Embassy's financial support of the Communist-dominated National United Front (NUF) which registered important gains during the recent elections for Burma's Chamber of Deputies, and they have stated dissatisfaction with the extensive barter deals Burma has concluded with the USSR and Communist China.

2. Beginning in July, THE NATION, a leading Rangoon newspaper, published a series of stories claiming that several hundred -- later several thousand -- fully armed Chinese Communist troops had invaded Burma along the disputed border and had established themselves in positions up to 60 miles inside Burmese territory. Although the Burmese government has attempted to give the impression that it does not want to make international issue of the border situation, it is reasonably well established that the basis for the stories sensationalized in THE NATION were "leaked" to the press by Burmese government officials. This suggests that the Burmese leaders are attempting to accomplish by publicity what they have failed to accomplish by diplomacy; namely, a negotiated formal demarcation of the Chinese-Burmese border.

3. Since former Prime Minister U Nu's trip to Peiping in December 1954, the Burmese government has tried repeatedly to get Peiping to enter into negotiations to settle the border problem. Although Peiping has consistently agreed that the issue can be settled by peaceful negotiations, the regime has just as consistently refused to enter into negotiations. Meanwhile, Chinese Communist military

* The substance of this memorandum has been discussed with OCI.

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and political activity in the disputed border regions has increased in size and scope during the past year. The Chinese Communists have improved trails and roads into the area from Yunnan and have sent political agents into the region to win over the local hill tribes and chiefs. Although the military situation in the disputed border area is unclear, it is known that small units of Chinese Communist troops have been in the area since 1953 and that these units have been recently reinforced. A number of armed clashes between Burmese and Chinese Communist units have been reported, but the only incident thus far acknowledged by the Burmese government occurred in November 1955 during a Burmese army "flag march" in the disputed border area. Additional incidents are likely because of the close proximity of Burmese and Chinese Communist troops in the area.

4. Peiping's position, as expressed by the PEOPLE'S DAILY and Radio Peiping, is that "Chinese frontier army units have been in their present positions" all along, that the area is "an unsettled zone" and, consequently, there can be "no such question as crossing into the territory of Burma." Although the Chinese Communists may be attempting to intimidate the Burmese government, or to divert planned Burmese army operations against Communist insurgents, it is more likely that Peiping is seeking to consolidate its administrative and military control in the disputed border areas so as to confront Burma with a *de facto* situation in any future border negotiations. The Burmese government, aware of what is happening, is unable at this time to establish administrative control in many parts of the disputed territory, and is unwilling directly to provoke or to antagonize Peiping. While Burma has protested to Peiping and has recalled its Ambassador for consultations, the Burmese government thus far has shown no disposition to seek outside assistance.

5. Peiping would probably prefer a fuzzy border which would facilitate subversion and infiltration and provide a sword to hold continually over Burmese heads. However, considering Peiping's current emphasis on peaceful coexistence with neighboring Asian states, it is likely that Peiping will ultimately agree to the formation of some kind of joint border commission. If any negotiations do materialize, they are likely to be protracted or inconclusive.

6. Another irritant in Burmese-Chinese relations is the financial aid funneled to the Burmese Communists through the Chinese Communist Embassy in Rangoon. In the past, Burmese leaders have given no sign of great concern over this breach of one of the five principles of "peaceful coexistence." However, during the 1956 elections, Communist China reportedly contributed heavily to the pro-Communist National United Front (NUF) which registered disturbing gains in popular vote and in the Chamber of Deputies. Immediately after the elections, U Nu and Prime Minister Ba Swe publicly denounced foreign interference in Burma's internal affairs, referring to it as a new type of imperialism which conquers by subversion.

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7. Burma's relations with Communist China are also strained as a result of Communist China's recent offers to sell rice in traditional Burmese markets -- offers made possible, in part, by shipments of Burmese rice to Communist China under barter agreements. As a result of Burma's extensive barter commitments to the Bloc, miscalculation of supply and demand, and an unexpected sales agreement with India for two million tons of rice over a five year period, by mid-1956 Burma's surplus rice supply was exhausted. Subsequently, Communist China moved into the temporary seller's market offering India 200,000 tons of rice and selling 60,000 tons to Pakistan, both potential sales which Burma could not fulfill for lack of supply.

8. An irritant in general Burmese-Bloc relations is the failure of the barter deals with the Bloc to live up to Burmese expectations. Initially the Burmese leaders had welcomed the barter agreements as the solution to existing and future rice surpluses and, in addition, had believed them to be shrewd business deals because the Bloc agreed to accept Burma's high price for rice. However, the Bloc countries inflated their prices in return so that, on balance, according to U Nu, Burma lost 10 to 30 percent on its barter trade. Also, Burma has found it difficult to satisfy its import needs from Bloc sources.

9. As a result of these developments, Ba Swe, Deputy Prime Minister Kyaw Myein and U Nu have all expressed their desire to reduce Burma's barter commitments and to minimize barter trade in the future. Although this recent experience in barter trade will probably cause Burmese leaders to be more circumspect in entering into future economic deals with the USSR and Communist China, Burma will probably not attempt to repudiate existing barter agreements in order to retain a safety valve in the event of future rice surpluses and to avoid political complications. However, Burma will probably try to reduce or postpone rice deliveries to the Bloc during the present rice shortage.

10. Although these three trouble spots in Burmese-Communist Chinese relations -- border disputes, interference in Burma's internal affairs and barter trade -- are matters of serious concern inside Burmese government circles, the Burmese government is not likely to permit these differences to lead to a significant shift in its general international orientation. While their accumulation of experience in dealing with Communist China may lead Burmese leaders to some maturing of opinion and tempering of trust, fear of Communist China's strength, proximity, and historic expansionist tendencies will probably continue to be major factors in Burma's retaining a foreign policy characterized by neutralism, peaceful coexistence, and non-provocation of Communist China. However, this experience may stimulate the Burmese government to favor the US by seeking increased American aid.

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